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C O N F I D E N T I A L SANAA 000138

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DEPT FOR S/CT GNOVIS AND NEA/ARP AMACDONALD
DEPT OF TREASURY FOR FINCEN DHARRIS AND YFADL
DEPT OF JUSTICE FOR ASSET FORFEITURE AND MONEY LAUNDERING
RSTAPLETON
FBI FOR TERRORIST FINANCE OPERATIONS JLMURPHY

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TAGS: [ECON](#) [EFIN](#) [KCRM](#) [KTFN](#) [PREL](#) [PTER](#) [SNAR](#) [YM](#)
SUBJECT: YEMEN FINALLY PASSES ANTI-MONEY LAUNDERING LAW

REF: A. 09 SANAA 1629
[1](#)B. 09 SANAA 1517
[1](#)C. 09 SANAA 259

Classified By: DCM Angie Bryan for reasons 1.4(b) and (d).

[1](#)1. (U) Summary. After pending in committee for two years, the ROYG's draft law "Regarding Anti-Money Laundering and Terrorism Funding" finally received Presidential approval on January 17 after being passed by Parliament December 29. Drafted with technical assistance from the World Bank, the new law will bring Yemen up to international standards regarding anti-money laundering (AML) and counter-terrorism finance (CTF). Renewed interest in the law appears to be spurred by President Saleh himself, who encouraged parliamentarians to pass the draft AML law in the wake of counter-terrorism operations in December. The ROYG continues to benefit from international assistance, particularly from international organizations. Post recommends continuing to extend technical assistance and training to ROYG institutions, particularly the Central Bank. End Summary.

[1](#)2. (U) The ROYG's draft law "Regarding Anti-Money Laundering and Terrorism Funding" received Presidential approval on January 17, becoming Law 1 in 2010. Passed by the Yemeni Parliament on December 29, the law contains 53 articles arranged in nine chapters which establish both the illegality of and punishments for money laundering and terrorism finance. The law also identifies the role of specific government agencies in anti-money laundering (AML) and counter-terrorism finance (CTF), including the Central Bank of Yemen (CBY), the Central Organization for Control and Audit, the National Security Bureau, the Ministries of Finance, Justice, Interior, Foreign Affairs, Industry and Trade, and Social Affairs and Labor, the Banks Association, the Federation of the Chamber of Commerce, and the General Investment Authority.

[1](#)3. (U) The new law will bring Yemen up to international standards regarding combating money laundering and terrorism finance. According to Mustafa Saif Kaid, General Manager of Legal Affairs at the CBY and Deputy Chairman of the Anti-Money Laundering Investigative Unit (AMLIU), the new law replaces Law 35 of 2003, which was not comprehensive enough and, specifically, neither mentioned nor criminalized the funding of terrorism. Under the new law, the ROYG's AMLIU will have an increased role to play, taking on new authority and becoming more independent. In addition, Wadie M. Assadh of the CBY's Financial Intelligence Unit (FIU) told EconOff on January 17 that the law sets up monitoring and supervising

committees related to AML issues. The law also expands the types of financial institutions that the ROYG will monitor to include hawalas, jewelry shops, lawyers' associations, and real estate firms.

¶4. (C) Renewed interest in the law appears to have been spurred by President Saleh in the wake of December counter-terrorism operations. Member of Parliament (MP) Fathi Abdulrahim, Chairman of the Parliamentary Finance Committee, told EconOff on December 24 that the Presidential Palace called him on December 18, one day after the airstrikes against AQAP in Abyan and Arhab, to instruct him to pass the draft AML law in order to burnish Yemen's CT credentials in the eyes of the West. In fact, the law appears to have broad support across government; Islah MP Sheik Mohammed Damag told EconOff that the only reason his party did not vote for it was because they are participating in an ongoing political boycott and not because they did not support it. The ROYG's draft AML law has been pending in Parliament since November 2007, where it was under discussion by the Constitution, Finance, and Sharia committees in addition to being rejected by the Yemeni Lawyers' Association (REF B).

¶5. (U) The ROYG continues to benefit from international assistance, particularly from international organizations. The CBY's Kaid told EconOff on January 17 the ROYG plans to implement and begin enforcing the new law immediately following Presidential approval. Assadh of the FIU said that the CBY will be inviting experts from the World Bank and International Monetary Fund (IMF) to assist the ROYG in the implementation phase of the new law. As a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), the FIU's Wadie told EconOff he was able to share information about Suspicious Transaction Reports (STRs) and get feedback from MENAFATF members at a recent meeting in Qatar. In addition to passing the draft AML law on December 29, the Parliament also passed the UN's "International Convention for the Suppression of the Financing of Terrorism," bringing the ROYG into agreement with international norms regarding CTF.

¶6. (C) Comment. The ROYG appears keen to demonstrate its commitment to counter-terrorism efforts) even with respect to terrorism finance. Passing a law of this caliber is an important first step in instituting AML and CTF efforts within the ROYG. Implementing the law, and then enforcing it, will be the next challenges for the AMLIU, new committees handling AML issues, and agencies across government. Due to capacity constraints within the ROYG, the CBY and responsible government agencies continue to make use of technical assistance and training from donors. Post recommends continuing to extend technical assistance and training to ROYG institutions, particularly the CBY's AMLIU. End Comment.
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